Chrysalis Center

Financial Statements

December 31, 2025
(With Comparative Totals for 2024)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Chrysalis Center

Opinion

We have audited the accompanying financial statements of Chrysalis Center (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chrysalis Center as of December 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Chrysalis Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Chrysalis Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Chrysalis Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chrysalis Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Chrysalis Center's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 22, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

Los Angeles, California

July 27, 2026

Chrysalis Center
Statement of Financial Position
December 31, 2025
(With Comparative Totals for 2024)

	2025	2024
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,199,350	$ 1,982,578
Accounts receivable, net of allowance for expected credit losses of $177,145 and $182,689 as of December 31, 2025 and 2024, respectively	3,319,637	5,306,092
Current portion of contributions and grants receivable	3,945,178	3,052,275
Prepaid expenses	774,805	589,519
Total current assets	10,238,970	10,930,464
Non-current assets		
Contributions and grants receivable, net of current portion	250,000	-
Right-of-use lease assets - operating	2,396,344	2,076,613
Property and equipment, net	1,993,399	2,114,131
Deposits	238,765	276,532
Total non-current assets	4,878,508	4,467,276
Total assets	$ 15,117,478	$ 15,397,740
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 682,465	$ 620,687
Accrued expenses	2,178,649	2,239,273
Deferred revenue	313,949	457,111
Current portion of operating lease liabilities	985,767	682,930
Current portion of note payable	450,000	50,000
Total current liabilities	4,610,830	4,050,001
Long-term liabilities		
Operating lease liability, net of current portion	1,436,074	1,296,319
Accrued expenses, noncurrent	483,333	966,666
Note payable, net of current portion	-	450,000
Total long-term liabilities	1,919,407	2,712,985
Total liabilities	6,530,237	6,762,986
Net assets		
Without donor restrictions		
Undesignated	6,239,604	5,449,017
Board-designated	1,318,651	1,318,651
Total without donor restrictions	7,558,255	6,767,668
With donor restrictions	1,028,986	1,867,086
Total net assets	8,587,241	8,634,754
Total liabilities and net assets	$ 15,117,478	$ 15,397,740

The accompanying notes are an integral part of these financial statements.

Chrysalis Center
Statement of Activities
For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
Revenues and other support				
Chrysalis Enterprises	$ 33,779,900	$ -	$ 33,779,900	$ 37,041,954
Contributions and grants	4,527,610	1,478,160	6,005,770	6,044,509
Governmental agencies	8,759,263	-	8,759,263	7,935,206
Special events, net of $576,120 and $688,942 of direct event expenses, respectively	1,222,517	-	1,222,517	879,755
In-kind contributions	494,316	-	494,316	432,778
Rental fees	14,400	-	14,400	29,600
Interest income	3,742	-	3,742	277
Net assets released from restriction	2,316,260	(2,316,260)	-	-
Total revenues and other support	51,118,008	(838,100)	50,279,908	52,364,079
Functional expenses				
Program services				
Chrysalis Enterprises	34,460,268	-	34,460,268	34,433,595
Employment	9,881,688	-	9,881,688	11,877,425
Total program services	44,341,956	-	44,341,956	46,311,020
Support services				
Management and general	4,370,831	-	4,370,831	4,369,147
Fundraising	1,614,634	-	1,614,634	1,496,000
Total support services	5,985,465	-	5,985,465	5,865,147
Total functional expenses	50,327,421	-	50,327,421	52,176,167
Change in net assets	790,587	(838,100)	(47,513)	187,912
Net assets, beginning of year	6,767,668	1,867,086	8,634,754	8,446,842
Net assets, end of year	$ 7,558,255	$ 1,028,986	$ 8,587,241	$ 8,634,754

The accompanying notes are an integral part of these financial statements.

Chrysalis Center
Statement of Functional Expenses
For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

	Employment Services			Support Services			
	Chrysalis Enterprises	Employment	Total	Management and General	Fundraising	2025 Total	2024 Total
Expenses							
Client support resources	$ 34,931	$ 869,788	$ 904,719	$ -	$ -	$ 904,719	$ 818,906
Clothing	163,301	26,539	189,840	-	-	189,840	164,887
Cost of direct benefits to donors	-	-	-	-	576,120	576,120	688,942
Curriculum	1,950	38,930	40,880	-	-	40,880	35,585
Depreciation	81,887	26,521	108,408	164,695	-	273,103	303,603
Facilities	418,592	503,161	921,753	548,545	21,402	1,491,700	1,433,324
Insurance and registration	662,839	-	662,839	-	-	662,839	513,169
Insurance and utilities	354,772	58,760	413,532	320,882	2,479	736,893	616,490
Other operating expenses	373,400	283,329	656,729	477,492	107,049	1,241,270	1,791,565
Outside services	539,545	-	539,545	1,649	-	541,194	635,027
Payroll and related	4,989,567	7,928,174	12,917,741	2,081,764	1,301,737	16,301,242	15,496,303
Payroll and related - Transitional Program	23,779,062	43,937	23,822,999	-	-	23,822,999	26,331,669
Personal development	31,911	38,259	70,170	135,922	3,056	209,148	126,315
Professional fees and outside services	-	16,862	16,862	478,750	35,000	530,612	899,167
Publicity, travel and entertainment	9,406	12,862	22,268	19,410	142,760	184,438	232,580
Supplies and materials	1,282,859	34,566	1,317,425	118,776	1,151	1,437,352	1,440,335
Vehicle rental and maintenance	1,224,781	-	1,224,781	-	-	1,224,781	924,924
Waste management	511,465	-	511,465	22,946	-	534,411	412,318
Total expenses	34,460,268	9,881,688	44,341,956	4,370,831	2,190,754	50,903,541	52,865,109
Less expenses included with revenues on the statement of activities							
Cost of direct benefits to donors	-	-	-	-	(576,120)	(576,120)	(688,942)
Total functional expenses	$ 34,460,268	$ 9,881,688	$ 44,341,956	$ 4,370,831	$ 1,614,634	$ 50,327,421	$ 52,176,167
Percentage of total	68.5 %	19.6 %	88.1 %	8.7 %	3.2 %	100.0 %	

The accompanying notes are an integral part of these financial statements.

Chrysalis Center
Statement of Cash Flows
For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

	2025	2024
Cash flows from operating activities		
Change in net assets	$ (47,513)	$ 187,912
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	273,103	303,603
Reduction in the carrying amount of right-of-use assets - operating	1,381,855	1,054,609
Change in allowance for expected credit losses	5,544	110,943
Changes in operating assets and liabilities		
Accounts receivable	1,980,911	3,725,393
Contributions and grants receivable	(1,142,903)	(1,123,931)
Prepaid expenses	(185,286)	120,152
Deposits	37,767	(139,529)
Accounts payable	61,778	(516,226)
Accrued expenses	(543,957)	669,801
Deferred revenue	(143,162)	(692,949)
Operating lease liabilities	(1,258,994)	(1,064,119)
Net cash provided by operating activities	419,143	2,635,659
Cash flows from investing activities		
Purchases of property and equipment	(152,371)	(197,381)
Net cash used in investing activities	(152,371)	(197,381)
Cash flows from financing activities		
Proceeds from revolving line of credit	-	2,050,000
Payments on revolving line of credit	-	(3,425,000)
Proceeds from note payable	-	500,000
Payments on note payable	(50,000)	-
Net cash used in financing activities	(50,000)	(875,000)
Net increase in cash and cash equivalents	216,772	1,563,278
Cash and cash equivalents, beginning of year	1,982,578	419,300
Cash and cash equivalents, end of year	$ 2,199,350	$ 1,982,578

Supplemental disclosure of cash flow information

Cash paid during the year for interest	$ 15,082	$ 62,876

Supplemental schedule of noncash investing and financing activities

Right-of-use lease assets obtained in exchange of lease obligations	$ 1,701,586	$ 735,616

The accompanying notes are an integral part of these financial statements.

Chrysalis Center
Notes to Financial Statements
December 31, 2025
(With Comparative Totals for 2024)

1. NATURE OF OPERATIONS

The Chrysalis Center (the "Organization") is a California non-profit corporation, established in 1985, serving people navigating barriers to the workforce by offering a job readiness program, individualized supportive services, and paid transitional employment. The Organization empowers its clients on their pathway to stability, security, and fulfillment in their work and lives. The Organization operates centers in Downtown Los Angeles, the San Fernando Valley, Santa Monica, the Inland Empire, and Orange County and provides services as part of Developing Opportunities and Offering Reentry Solutions, a community reentry center in South Los Angeles. Program services operated by the Organization consist of the following:

The Core Employment Program

This program offers job-readiness and employment-related social services that strengthen clients' employability. Individuals who access services may have experienced homelessness, been impacted by the criminal justice system, or are seeking assistance in navigating a barrier to employment. Through case management, classroom instruction, and one-on-one sessions with volunteers or staff employment specialists, clients build job-readiness skills, create resumes, participate in practice interviews, apply to jobs, and receive resources and support to navigate other barriers they may be facing.

Chrysalis Enterprises

Chrysalis Enterprises offers paid, transitional employment with four social enterprises to get clients started on the road to permanent, outside employment. Transitional jobs deliver marketable experience and occupational skills while providing a closely supervised, supportive working environment that allows clients to demonstrate and practice their hard and soft skills. There are currently four transitional job opportunities for clients within Chrysalis Enterprises: Works, Safekeeping, Roads, and Staffing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of accounting and financial statement presentation</u>

The accompanying financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *Net assets without donor restrictions* - Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors ("Board"). Donor restricted contributions whose restrictions are met in the same reporting period, are reported as without donor restrictions. This category of net assets also includes board-designated funds which have been segregated for reserves and capital improvements.

- *Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Revenue recognition and deferred revenue

Government grants and contracts are generally received under contracts from federal, state, county and city agencies. These contracts are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures or provided services in compliance with specific contract or grant provisions. The Organization has elected a simultaneous release option to account for these grants and contracts and thus are recorded as grants and contracts without donor restrictions upon satisfaction of the barriers. Amounts received prior to incurring qualifying expenditures or performing the required services are reported as deferred revenue. Deferred revenue related to government grants and contracts amounted to $313,949 and $457,111 as of December 31, 2025 and 2024. The Organization received cost-reimbursable grants of approximately $6,000,000 and $6,500,000 that have not been recognized at December 31, 2025 and 2024, respectively, because qualifying expenditures have not yet been incurred. No amounts have been received in advance under our federal and state contracts and grants.

The Organization recognizes public and private grants as revenue in the period awarded. Corporate contributions and donations from individuals are recognized when received.

Chrysalis Enterprises generates its revenue from services performed based on contracts with customers. Services are provided on a monthly basis and recognized over time. Once the service has been performed, Chrysalis Enterprises will recognize the revenue. Revenue from contracts with customers is recognized using the following five steps:

a) Identify the contract(s) with a customer

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition and deferred revenue (continued)

b) Identify the performance obligations in the contract

c) Determine the transaction price

d) Allocate the transaction price to the performance obligations in the contract

e) Recognize revenue when (or as) the entity satisfies a performance obligation

A contract contains a promise (or promises) to transfer services to a customer. A performance obligation is a promise (or a group of promises) that is distinct. The transaction price is the amount of consideration the Organization expects to be entitled from a customer in exchange for providing the services. Revenue is recognized when the Organization satisfies each performance obligation by performing the promised services to the customer.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the accompanying financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Organization considers all financial instruments purchased with an original maturity of three months or less to be cash equivalents. The Organization places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 per institution. Periodically, such cash and cash equivalent balances may be in excess of the FDIC insurance limits. The Organization has not experienced and does not anticipate any losses on such accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable, net

The Organization recognizes an allowance for losses on accounts receivable in an amount equal to the current expected credit losses. The estimation of the allowance is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and reasonable and supportable expectation of future conditions, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible. The Organization assesses collectibility by pooling receivables where similar characteristics exist and valuates receivables individually when specific customer balances no longer share those characteristics and are considered at risk or uncollectible. Any balances that are considered at risk and after management has used reasonable collection efforts are recognized as allowance for credit losses. Accounts receivable in the accompanying statement of financial position is recorded net of allowance for credit losses of $177,145 and $182,689 at December 31, 2025 and 2024, respectively.

Accounts receivable consisted of the following:

	2025	2024	2023
Accounts receivable	$ 3,496,782	$ 5,488,781	$ 9,214,174
Allowance for expected credit losses	(177,145)	(182,689)	(71,746)
	$ 3,319,637	$ 5,306,092	$ 9,142,428

Contributions and grants receivable

The Organization accounts for contributions in accordance with U.S. GAAP. Contributions received are recorded as with or without donor restriction depending on the existence or nature of any donor restrictions. Donor-restricted contributions are reported as increases in donor restricted net assets, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

Contributions and grants receivable that are expected to be collected within one year are recorded at net realizable value upon receipt of the award. Contributions and grants receivable that are expected to be collected in future years are recorded at fair value at the time of the award. The Organization measures fair value of grants receivable in more than one year as the present value of expected future cash flows. Amortization of the associated discount is included in contributions and grants revenue. Management provides for probable uncollectible amounts based on its assessment of recent collection history and current donor relationships. Contributions and grants receivable consist of balances from local foundations and governmental agencies. There was no allowance for doubtful promises on contributions and grants receivable as of December 31, 2025 and 2024, as management has determined that all balances are expected to be collected.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment, net

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. The Organization capitalizes assets with a cost or donated value of $5,000 or more and an estimated life greater than one year.

The estimated useful lives of property and equipment by asset category is as follows:

Building improvements	40 years
Automobiles	5 years
Furniture and fixtures	5 years
Computer equipment	3 years
Leasehold improvements	Lesser of 5 years or lease term

In-kind contributions of goods and services

The Organization records various types of in-kind contributions, including services and tangible assets. Legal fees are determined based on prevailing market rates for comparable services. Facility costs are calculated using current square footage rates for similar properties. Clothing, auction, and raffle items are valued using estimated wholesale prices.

The fair value of in-kind contributions recognized consisted of:

	2025	2024
Clothing	$ 19,326	$ 11,850
Facilities	293,160	146,580
Auction and raffle	114,602	50,123
Legal	67,228	224,225
	$ 494,316	$ 432,778

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind contributions of goods and services (continued)

In-kind contributions are recorded at fair value at the date of donation only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donated services are not reflected in the accompanying financial statements as they do not meet the criteria for recognition under U.S. GAAP. In order to expand the reach of its programs, the Organization utilizes the services of a substantial number of volunteers who have donated a significant number of hours to the Organization's program services, management, and fundraising activities. During the year ended December 31, 2025, the Organization's network of volunteers donated 2,539 service hours to the Organization. The Organization values these donated services at $91,759 based on a respective estimated rate of volunteer time of $36.14 per hour as determined specifically for California as recently as 2025 by Independent Sector, a leading resource and research organization for the nonprofit industry.

The Organization entered into an operating lease agreement with the City of Anaheim in July 2018 for facility space for a period of 24 months, at a nominal rate of $1 for each 12-month period. The lease was renewed at the same rate in July 2020 for two 12-month period extensions, and again renewed at the same rate in July 2022 for two 12-month period extensions and again in July 2024 for two more 12-month period extensions. The lease contains language stipulating that the Organization meet certain performance requirements. The lease is accounted for as a contribution receivable and recognized as in-kind contributions on the accompanying statement of financial activities over the lease term. As of December 31, 2025, the Organization held $219,870 in contributions receivable related to the donated use of facilities for this space. In June 2025, the Organization renewed the operating lease agreement at the same rate for 24 months with the option for one additional 12-month period extension.

Functional expenses

The Organization allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific program service or support service are allocated directly according to their natural expense classification. Expenses that are common to several functions are allocated accordingly based on the time and resources devoted to each category.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Organization accounts for leases under Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"). Arrangements meeting the definition of a lease under ASC 842 are classified as either operating or financing leases and recorded on the statements of financial position as both a right-of-use ("ROU") asset and lease liability. The lease liability is measured at the present value of lease payments over the lease term, discounted using the rate implicit in the lease or, if not readily determinable, the risk-free rate as a practical expedient. The ROU asset is adjusted for any initial direct costs, prepayments, and incentives received. For operating leases, the Organization recognizes expense on a straight-line basis over the lease term, comprising both the amortization of the ROU asset and interest on the lease liability. Variable lease payments are expensed as incurred. Leases with a term of 12 months or less may be excluded from the statement of financial position, and the lease payments are recognized as expense on a straight-line basis over the lease term. Lease modifications or terminations that do not result in the creation of a new lease are accounted for by remeasuring the lease liability and adjusting the ROU asset accordingly.

Concentrations of credit risk

As of December 31, 2025, approximately 35% of the Organization's accounts receivable was outstanding from two customers. Approximately 35% of the Organization's governmental agencies grant revenue was recognized from two governmental agencies. Approximately 12% of the Organization's program revenue was recognized from one customer.

As of December 31, 2024, approximately 32% of the Organization accounts receivable is outstanding from two customers and 30% of its contributions and grants receivable from two donors. Approximately 72% of the Organization's governmental agencies grant revenue was recognized from five governmental agencies. Approximately 17% of the Organization's program revenue was recognized from one customer.

Income taxes

The Organization is a qualified organization exempt from federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The Organization recognizes the effects of its income tax positions only if those positions are more likely than not of being sustained. The Organization has evaluated its current tax positions and has concluded that as of December 31, 2025, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary. Generally, the Organization's information returns remain open for examination for a period of three (federal) or four (State of California) years from the date of filing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Summarized financial information

The accompanying financial statements include certain prior-year summarized comparative financial information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's accompanying financial statements for the year ended December 31, 2024, from which the summarized information was derived.

Subsequent events

The Organization has evaluated events subsequent to December 31, 2025, to assess the need for potential recognition or disclosure in the accompanying financial statements. Such events were evaluated through July 27, 2026, the date the accompanying financial statements were available to be issued. Based upon this evaluation, no subsequent events occurred that require recognition or additional disclosure in the accompanying financial statements, except as disclosed in Note 7.

Reclassifications

Certain amounts from December 31, 2024 have been reclassified to conform to the December 31, 2025 financial statement presentation.

3. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following:

	2025	2024
Chrysalis Enterprises		
Chrysalis Works	$ 1,385,595	$ 1,412,728
Chrysalis Roads	890,496	2,690,509
Chrysalis Safekeeping	823,453	1,080,725
Chrysalis Staffing	225,426	283,226
Chrysalis Client Services	171,812	21,593
	3,496,782	5,488,781
Less allowance for expected credit losses	(177,145)	(182,689)
	$ 3,319,637	$ 5,306,092

3. ACCOUNTS RECEIVABLE, NET (continued)

Chrysalis Works receivables are primarily with Business Improvement Districts in Los Angeles County. Chrysalis Roads receivables are with the City of Los Angeles and Butte County Office of Education. Chrysalis Staffing receivables are with the City and County of Los Angeles and a broad range of private sector companies in Southern California.

4. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consisted of the following:

	2025	2024
Contributions	$ 387,040	$ 1,350,000
Government grants	3,422,354	1,628,985
Grants	165,914	-
Right-of-use to in-kind facility	219,870	73,290
	$ 4,195,178	$ 3,052,275

Unconditional promises to give are estimated to be collected as follows at December 31, 2025 and 2024:

	2025	2024
Within one year	$ 3,945,178	$ 3,052,275
In one to five years	250,000	-
	$ 4,195,178	$ 3,052,275

The discount resulting from the measurement of the present value of future receivables was not material to the financial statements as of and for the years ended December 31, 2025 and 2024.

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	2025	2024
Land	$ 1,300,000	$ 1,300,000
Automobiles	535,349	448,976
Computer equipment	663,935	599,335
Furniture and fixtures	75,914	74,515
Leasehold improvements	4,113,911	4,113,911
Building improvements	657,144	657,144
	7,346,253	7,193,881
Accumulated depreciation	(5,352,854)	(5,079,750)
	$ 1,993,399	$ 2,114,131

Depreciation expense was $273,103 and $303,603 for the years ended December 31, 2025 and 2024, respectively.

6. REVOLVING LINE OF CREDIT

In September 2018, the Organization entered into a revolving credit agreement with American Business Bank, which provides for a revolving line of credit ("line of credit") with maximum borrowings of $2,000,000 and is secured by the Organization's real estate and personal property. The line of credit was increased to $2,940,000 in July 2020. The line of credit bears interest at 4.50% as of the date of negotiation and is indexed at the bank's reference rate (7.5% as of December 31, 2025). Interest is payable monthly.

In May 2025, the Organization amended the line of credit to reduce maximum borrowings to $2,300,000 and extend the maturity date to May 2030. There was no outstanding balance on the line of credit as of December 31, 2025 and 2024.

7. NOTE PAYABLE

The Organization entered into a non-interest bearing Note Payable Agreement (the "Note Payable") with a Nonprofit Finance Fund in June 2024 for an original term loan of $500,000. The Note Payable is non-interest bearing and was set to mature in July 2025, and was provided at below-market terms by a mission-driven lender as part of a community investment financing arrangement. The Note Payable was amended in May 2025 to modify the maturity dates, requiring $50,000 to be paid in December 2025 and the remaining $450,000 to be paid in July 2026. The Note Payable is not subject to financial or nonfinancial covenants. The outstanding balance of the Note Payable was $450,000 and $500,000 as of December 31, 2025 and 2024, respectively. Subsequent to December 31, 2025, the Note Payable was amended to extend the maturity date to September 30, 2026.

8. NET ASSETS WITHOUT DONOR RESTRICTIONS

The Organization has board-designated net assets which are voluntary, board-approved segregations of net assets without donor restrictions, reserved for specific purposes, projects or investments.

The Reserve and Capital Improvement Fund (the "Fund") is to be used for major capital investments or other extraordinary purposes, such as supporting programs that have been impacted by unanticipated funding reductions. It may also be tapped as a short-term line of credit to address temporary, unanticipated cash flow needs. The Board may decide, at its discretion, to designate additional funds to the Fund based on the Organization's surplus cash position and projected cash needs.

During the year ended December 31, 2025 and 2024, no amounts were designated to or released from the Fund. At December 31, 2025 and 2024, the total balance within Fund was $1,318,651.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2025	2024
Purpose restricted	$ 384,116	$ 943,796
Subject to passage of time	644,870	923,290
	$ 1,028,986	$ 1,867,086

9. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions released from restriction during the year were as follows:

	2025	2024
Sam Simon	$ 342,345	$ 300,000
Samueli Foundation	300,619	300,000
The Stone Family Foundation	101,862	-
Leonard Green & Partners L.P.	100,000	100,000
REDF Foundation	100,000	-
Sun Family Foundation	70,000	-
Disney Worldwide	66,667	33,333
LA Care	54,308	8,695
Orange County Community Foundation	35,000	35,000
Jewish Community Foundation of Los Angeles	11,689	29,175
Amazon	8,674	-
JP's Peace, Love, and Happiness Foundation	3,516	100,000
The Ahmanson Foundation	-	150,000
Orange County United Way	-	100,000
Pearlman Geller Foundation	-	100,000
Cedars Sinai	-	50,000
Bank of America	-	30,000
Herb Alpert	-	20,000
Accenture	-	5,000
	1,194,680	1,361,203
Time restricted releases	1,121,580	1,255,054
	$ 2,316,260	$ 2,616,257

10. LEASES

The Organization has operating leases for office space in downtown Los Angeles, Orange County, and the San Fernando Valley under non-cancelable operating leases with options to extend. Additionally, the Organization is a party to 86 non-cancelable operating equipment lease agreements. The leases carry separate terms and expire at various dates through September 2030. The Organization has no financing leases as of December 31, 2025.

During 2025, the Organization entered into 17 new leases for operating equipment under non-cancelable operating agreements that expire at various dates through September 2030. In addition, during 2025 the Organization entered into a new 24-month lease agreement for office space through April 2027 with monthly rent of $6,920 due beginning May 1, 2025.

Additionally, the Organization has various other month-to-month leases that do not qualify for recognition as a right-of-use asset, and are expensed as incurred.

10. LEASES (continued)

Right-of-use lease assets are as follows:

	2025	2024
Right-of-use lease assets - operating	$ 2,396,344	$ 2,076,613

The operating lease liabilities are detailed as follows:

	2025	2024
Operating lease liabilities, current	$ 985,767	$ 682,930
Operating lease liabilities, net of current portion	1,436,074	1,296,319
	$ 2,421,841	$ 1,979,249

Lease costs for the year consisted of the following:

	2025	2024
Operating lease costs		
Monthly scheduled rent	$ 1,320,331	$ 1,114,364
Month to month costs	-	12,000
Variable costs	99,896	63,892
	$ 1,420,227	$ 1,190,256

The weighted-average remaining lease term and discount rate are as follows:

	2025	2024
Weighted-average remaining lease term - operating lease	2.84 years	2.99 years
Weighted-average discount rate - operating lease	3.26%	2.85%

10. LEASES (continued)

Future maturities of the operating lease liabilities are as follows:

Year ending December 31,	
2026	$ 1,047,307
2027	806,303
2028	386,147
2029	212,366
2030	91,025
	2,543,148
Less: imputed interest	(121,307)
Total operating lease liabilities	2,421,841
Current portion	(985,767)
	$ 1,436,074

11. COMMITMENTS AND CONTINGENCIES

The Organization entered into a settlement agreement resolving an employment and labor code claim filed in 2022 for $1,450,000. The settlement was subject to court approval, which was obtained subsequent to year-end. The total settlement is due in three equal annual installments beginning in 2025. The Organization has accrued for this amount within accrued expenses and accrued expenses, noncurrent in the accompanying statements of financial position as of December 31, 2025 and 2024.

The Organization is involved in legal proceedings arising in the ordinary course of operations. In accordance with FASB ASC 450, *Contingencies*, the Organization establishes accruals for legal matters when potential losses associated with the actions become probable and the amount of loss can be reasonably estimated. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Organization.

12. LIQUIDITY AND FUNDS AVAILABLE

As part of the Organization's liquidity management, it structures its financial assets to be available as general expenditures, liabilities, and other obligations come due. To meet liquidity needs, the Organization utilizes cash and cash equivalents and receivables that are considered current and will be collected from funders within the applicable period.

12. LIQUIDITY AND FUNDS AVAILABLE (continued)

The Organization's financial assets available within one year of the accompanying statement of financial position date for general expenditures were as follows:

	2025	2024
Financial assets:		
Cash and cash equivalents	$ 2,199,350	$ 1,982,578
Accounts receivable, net of allowance for expected credit losses of $177,145 and $182,689 as of December 31, 2025 and 2024, respectively	3,319,637	5,306,092
Contributions and grants receivable	3,945,178	3,052,275
	9,464,165	10,340,945
Less amounts unavailable for general expenditure within one year:		
Net assets with donor restrictions (excludes amounts to be collected in greater than one year)	(778,986)	(1,867,086)
Board-designated	(1,318,651)	(1,318,651)
	(2,097,637)	(3,185,737)
	$ 7,366,528	$ 7,155,208

The Organization's goal is generally to maintain financial assets to meet at least 90 days of general operating expenses. The Organization has a $2,300,000 revolving line of credit available to meet cash flow needs with $2,300,000 available to draw. The board-designated reserve fund is intended by the Board to be used for future major capital investments and to support programs that have been impacted by unanticipated funding reductions.